
ARIZONA JOINT LEGISLATIVE BUDGET COMMITTEE

NOTICE OF REQUEST FOR PROPOSAL

REQUEST FOR PROPOSAL NO. 2006-1

PROPOSAL DUE DATE: **October 14 , 2005** **1:00 P.M. MST**

LOCATION: **Arizona Joint Legislative Budget Committee**
 1716 West Adams Street
 Phoenix, Arizona 85007

NO PRE-PROPOSAL CONFERENCE

Proposals must be submitted in a sealed envelope or container with the Request for Proposal number and the Offeror's name and address clearly indicated on the envelope or container. All Proposals must be submitted together with the Offer and Contract Award form by the time and date cited above.

Offerors are strongly encouraged to carefully read the entire Request for Proposal.

Designated Agency: **ARIZONA JOINT LEGISLATIVE BUDGET COMMITTEE**

Material and/or Service: **ACTUARIAL AUDIT AND SPECIAL PROJECT SERVICES**

Contract Type: **FIRM, FIXED PRICE EXCEPT WHERE NOTED**

Contract Term: **DATE OF AWARD THROUGH JUNE 30, 2006 (WITH TWO ONE YEAR RENEWAL OPTIONS)**

OFFER AND CONTRACT AWARD

Request for Proposal No.: 2006-1

Submit the original of this form to the Arizona Joint Legislative Budget Committee.

OFFER TO THE ARIZONA JOINT LEGISLATIVE BUDGET COMMITTEE OF THE STATE OF ARIZONA:

The undersigned hereby offers and agrees to furnish the materials and services in compliance with all terms, conditions, specifications and amendments in the Request for Proposal and any written exceptions in the offer.

Arizona Transaction (Sales) Privilege

For clarification of this offer, contact:

Tax License No.: _____

Name: _____

Federal Employer Identification

Phone: _____

No.: _____

FAX No.: _____

Offeror Name

Signature of Person Authorized to Sign Offer

Address

Printed Name

City State Zip

Title

ACCEPTANCE OF OFFER AND CONTRACT AWARD (For Arizona Joint Legislative Budget Committee Use Only)

Your offer is hereby accepted for the following component(s):

☐ Pension Systems

☐ Employee Health Insurance

☐ Health Care

☐ Risk Management

☐ Other State Agencies

The Contractor is now bound to sell the materials, and services listed by the attached award notice based upon the Request for Proposal, including all terms, conditions, specifications, amendments, etc., and the Contractor's offer as accepted by the Arizona Joint Legislative Budget Committee. This contract shall be referred to as Contract No. 2006-1.

Awarded this _____ day of _____, 2005

Richard Stavneak, Director
Arizona Joint Legislative Budget Committee
1716 West Adams Street
Phoenix, Arizona 85007

**Arizona Joint Legislative Budget Committee
Actuarial Audit and Special Projects
September 15, 2005**

I. INTRODUCTION

The Arizona Joint Legislative Budget Committee is requesting Proposals for an actuarial audit of various state agencies including, but not limited to the Arizona State Retirement System, the Public Safety Personnel Retirement System, the Corrections Officer Retirement Plan and the Elected Officials Retirement Plan, Arizona Health Care Cost Containment System, Arizona Department of Administration, Arizona Department of Health Services, Arizona Department of Economic Security, and the Industrial Commission.

This document constitutes a Request for Proposal, via competitive sealed Proposals from qualified individuals and organizations to perform the scope of work set forth within.

II. BACKGROUND

In the 2005 Regular Session, the Arizona Legislature had several questions regarding the accuracy of various actuarial valuations and the appropriateness of assumptions used to set insurance rates, pension contribution rates, capitation rates and other executive agency actuarial calculations. In an effort to better understand the process, the Joint Legislative Budget Committee was requested to contract with one or more actuarial firms to provide an independent assessment state actuarial calculations.

III. GENERAL PROVISIONS

A. Submittal Procedure:

1. Any inquiry related to this Request for Proposal shall be directed in writing to the Director of the Arizona Joint Legislative Budget Committee:

Mr. Richard Stavneak, Director
Arizona Joint Legislative Budget Committee
1716 West Adams Street
Phoenix, Arizona 85007
Fax 602-542-1616

2. The Offeror shall not contact or direct inquiries concerning this Request for Proposal to any other State employee. Any inquiry related to this Request for Proposal shall refer to the appropriate page and paragraph. Do not place the Request for Proposal number on the outside of the envelope containing an inquiry, because the inquiry may then be identified as an Offer and not be opened until after the Offer due date and time. This Request for Proposal shall only be modified by a Request for Proposal Amendment. Any inquiry that results in changes to the Request for Proposal shall be answered only through a written Request for Proposal Amendment. An Offeror may not rely on verbal responses to an inquiry.

3. The Offeror shall submit 1 original and 5 copies of the Offeror's proposal to the Arizona Joint Legislative Budget Committee, 1716 West Adams Street, Phoenix, Arizona 85007. Proposals must:

- a) Be signed by the Offeror.
- b) Contain all information required by the Request for Proposal.
- c) Be sealed in an envelope or container, clearly labeled with the Request for Proposal number.
- d) Be delivered to the Director of the Arizona Joint Legislative Budget Committee and officially clocked in not later than October 14, 2005 at 1:00 p.m. MST. Proposals submitted after that time will not be considered in this selection.

4. The Offeror may include in the Offeror's proposal any or all of the distinct components listed the section (IV) subsection (B). However, the proposal must include a separate and independent bid for each of the components.

5. Proposals will be opened publicly at the time and place designated in paragraph (3)(d) above. The name of each Offeror will be read publicly and recorded. Prices will not be read. Proposals will not be subject to public inspection until after the contract is awarded. Proposals will be reviewed promptly. All bids submitted in response to this invitation shall become the property of the staff of the Arizona Joint Legislative Budget Committee and shall become a matter of public record available for review subsequent to the award notification.

6. The Arizona Joint Legislative Budget Committee will not provide any reimbursement for the cost of developing or presenting proposals in response to this Request for Proposal.

B. Selection Information and Criteria:

1. Please provide the following information:
 - a) Name of Offeror.
 - b) Address of headquarters.
 - c) Contact person and phone number.
 - d) A description of the Offeror's current workload and ability to execute the project in the time allotted.
 - e) A description of the Offeror's approach to executing this project.
 - f) An office organizational chart and a list of the key personnel who will be assigned to the project, along with their resumes. Also, for each subcontractor, a list of all personnel who will be assigned to this project.
 - g) A list of projects completed by the Offeror, with brief descriptions which show the ability to handle projects of similar scope and dollar magnitude.
 - h) A list of 3 references with addresses and phone numbers.

2. Unnecessarily elaborate brochures or other presentations beyond those sufficient to present a complete and effective response to this solicitation are not desired and may be construed as an indication of the Offeror's lack of cost consciousness. Elaborate artwork, expensive paper and bindings and expensive visual and other presentation aids are neither necessary nor wanted.

3. The criteria considered in selecting a Contractor shall include, but not necessarily be limited to:

- a) Experience, expertise and reliability of Offeror's key personnel.
- b) Experience, expertise and reliability of Offeror.
- c) Methodology and approach.
- d) Cost.

C. Approval:

1. The Director of the Arizona Joint Legislative Budget Committee retains final approval of all aspects of the contracts. The Arizona Joint Legislative Budget Committee intends to issue a contract by November 14, 2005.

2. The contract shall be for one or more of the components listed in section (IV) sub-section (B).

3. The contract shall be based upon the Request for Proposal issued by the Arizona Joint Legislative Budget Committee and the offer submitted by the Contractor in response to the Request for Proposal and any best and final negotiations between the Arizona Joint Legislative Budget Committee and the Contractor. The offer shall substantially conform to the terms, conditions, specifications and other requirements set forth within the text of the Request for Proposal. The Arizona Joint Legislative Budget Committee reserves the right to clarify any contractual terms with the concurrence of the Contractor. The contract shall contain the entire agreement between the Arizona Joint Legislative Budget Committee and the Contractor relating to this requirement.

D. Rejection of Proposals:

1. The Arizona Joint Legislative Budget Committee reserves the right to reject any or all Proposals for any or all of the components in whole or in part listed in section (IV) sub-section (B) received in response to this Request for Proposal. Offerors whose Proposals are not accepted will be notified in writing.

E. Equal Employment Opportunity:

1. The Offeror shall not discriminate against any employee or applicant for employment because of race, creed, gender, disability or national origin.

F. Requirements for Approved Contractor(s):

1. In the performance of services set forth herein, the Contractor shall expressly understand and agree that a contract exists between the Contractor and the Arizona Joint Legislative Budget Committee upon approval and acceptance of a Proposal. The Arizona Joint Legislative Budget Committee shall be the final authority regarding the operation of the contract.

- 2. The Contractor shall agree to:
 - a) Comply with the reporting schedule.

b) Remove and replace personnel assigned who do not perform duties in a manner satisfactory to the Arizona Joint Legislative Budget Committee.

c) Keep information related to all contracts in strict confidence. Other than reports submitted to the Arizona Joint Legislative Budget Committee, the Contractor shall not publish, reproduce or otherwise divulge such information, in any manner or form, or authorize or permit others to do so.

d) Maintain this contract separate from any other contract the Contractor has with another agency or department of the State of Arizona. The Contractor may maintain contracts with other agencies or departments of the State of Arizona, as long as separate actuaries and staff are used for the provisions of this contract and all information developed or gained is kept confidential, unless otherwise approved in writing by the Director of the Arizona Joint Legislative Budget Committee.

e) Resubmit work, at the Contractor's expense if the work is unacceptable, whether before or after a draft or final report is issued, because it did not conform to the scope of work set forth in the contract.

f) Comply with the indemnification and insurance requirements prescribed by the Arizona Department of Administration, Risk Management Section for professional services contracts and attached to this Request for Proposals as Appendix A.

g) Maintain in current status all federal, state, and local licenses and permits required for the operation of the business conducted by the Contractor as applicable to this contract.

G. Subcontracts:

1. Subcontracts, not specifically detailed in the Offeror's proposal, shall not be entered into by the Contractor with any other party to furnish any of the materials and services specified herein without the advance written approval of the Director of the Arizona Joint Legislative Budget Committee on behalf of the Arizona Joint Legislative Budget Committee. All subcontracts shall comply with federal and state laws and regulations which are applicable to the services covered by the subcontract and shall include all the terms and conditions set forth herein which shall apply with equal force to the subcontract, as if the subcontractor were the Contractor referred to herein. The Contractor is responsible for contract performance whether or not subcontractors were used. The Director of the Arizona Joint Legislative Budget Committee shall not unreasonably withhold approval and shall notify the Contractor of the Arizona Joint Legislative Budget Committee's position within 15 days of receipt of written notice by the Contractor.

H. Modification of Contract:

1. Each and every provision of law and any clause required by law to be in the contract shall be read and enforced as though it were included herein, and if through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then upon the application of either party the contract shall forthwith be physically amended to make such insertion or correction.

2. The contract may be modified only by written document and signed by the Contractor's authorized representative and by the Director of the Arizona Joint Legislative Budget Committee on behalf of the Arizona Joint Legislative Budget Committee.

I. Payment:

1. The Contractor and the Arizona Joint Legislative Budget Committee shall agree on a payment and reporting schedule for the Contractor's services.

J. Records/Inspections:

1. The Arizona Joint Legislative Budget Committee may, at reasonable times, and at the Arizona Joint Legislative Budget Committee's expense, inspect the place of business of a Contractor or subcontractor which is related to the performance of any contract as awarded or to be awarded.

2. The Contractor shall maintain books, records, documents and other evidence pertaining to the costs and expenses of the contract, in such detail as will properly reflect all net costs, direct and indirect, of labor, materials, supplies and services. The Contractor shall agree to make available, at the office of the Contractor, any of the records for inspection, audit or reproduction by any authorized representative of the State of Arizona. The Contractor shall preserve and make available the records for a period of five years from the date of final payment.

3. All services, information, computer program elements, reports and other deliverables which may be created under this contract are the sole property of the Arizona Joint Legislative Budget Committee of Arizona and shall not be used or released by the Contractor or any other person except with prior written permission of the Arizona Joint Legislative Budget Committee.

K. Best Efforts:

1. The services of the Contractor shall be performed with ordinary skill, care and diligence, except that the Contractor shall make its best effort to exercise special care to ensure that all services are performed in an accurate, verifiable and unbiased manner.

L. Disclosure:

1. The Contractor shall disclose to the Arizona Joint Legislative Budget Committee any contract or open bid for a contract between the Contractor and/or subcontractor and the Arizona State Retirement System, the Public Safety Personnel Retirement System, the Corrections Officer Retirement Plan, the Elected Officials Retirement Plan, the Arizona Department of Administration, the Arizona Health Care Cost Containment System, the Arizona Department of Health Services, the Arizona Department of Economic Security, the Arizona Industrial Commission, the Arizona Department of Revenue, the Arizona Department of Insurance, the Arizona State Compensation Fund, or any other agency, department or political subdivision of the State of Arizona if the contract exists at the time of the submission of its proposal, or is entered into at any time during the period of the contract.

M. Disputes:

1. This contract shall be governed by the law of the State of Arizona, and suits pertaining to this contract shall be brought only in federal or state courts in the State of Arizona.

2. This contract is subject to arbitration under A.R.S. § 12-1518. The Arizona Joint Legislative Budget Committee and the Contractor shall meet to discuss and attempt to resolve any dispute. If these attempts fail, the dispute shall be resolved through arbitration, and the prevailing party is entitled to recover its costs, fees and other expenses including reasonable attorney fees, from the non-prevailing party.

N. Cancellation:

1. The Arizona Joint Legislative Budget Committee reserves the right to cancel the whole or any part of the contract due to failure of the Contractor to carry out any term, promise, or condition of the contract.

2. The Arizona Joint Legislative Budget Committee may cancel this contract without penalty or further obligation pursuant to A.R.S. § 38-511 if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the Arizona Joint Legislative Budget Committee is or becomes, at any time while the contract or any extension of the contract is in effect an employee of, or a consultant to any other party to this contract with respect to the subject matter of the contract. Such cancellation shall be effective when written notice from the Director of the Arizona Joint Legislative Budget Committee is received by the parties to this contract.

IV. SCOPE OF SERVICES OF SELECTED CONTRACTOR(S)

A. Purpose

The purpose of this Request for Proposals is to provide the Arizona State Legislature with an independent assessment of the use of actuarial assumptions, methods and techniques as employed by various agencies and departments of the State of Arizona.

B. Components

The Contractor shall provide the services described below for any or all of the following components:

1. Pension systems, including but not limited to the Arizona State Retirement System, the Public Safety Personnel Retirement System, the Correctional Officers Retirement Plan and the Elected Officials Retirement Plan. The services shall include:

a) An actuarial audit of each plan's valuation covering the year ending June 30, 2005. For each of the four plans, the audit shall:

- i) Determine the validity of the data used by the actuary in the plan's valuation.
- ii) Determine whether or not the valuation for fiscal year ending June 30, 2005 was performed in accordance with principles and practices prescribe by the Actuarial Standards Board.
- iii) Determine the reasonableness and appropriateness of plan assumptions.
- iv) Validate the results of the valuation for fiscal year ending June 30, 2005 in terms of contribution rates, accrued liabilities and the proper application of the funding method.

b) An actuarial audit of the most recent experience studies for the Arizona State Retirement System and the Public Safety Personnel Retirement System. For each of the systems, the audit shall:

- i) Determine the validity of the data used by the actuary.
- ii) Determine whether or not the experience study was performed in accordance with principles and practices prescribe by the Actuarial Standards Board.

d) An hourly rate for the completion of specific legislative projects, including an analysis of the impact of specific legislation or alternative assumptions on the contribution rate and accrued liabilities.

e) An hourly rate for testifying before a legislative committee beyond the task described in sub-section (C) paragraph (2).

2. Employee Health Insurance, including but not limited to the contribution rates for Arizona Department of Administration self-insured employee health plan. The services shall include:

a) An actuarial audit of the Arizona Department of Administration employee health insurance system. The audit shall:

- i) Determine the validity of the data used by the actuary in setting contribution rates.
- ii) Determine whether or not the health plan is operating in accordance with principles and practices prescribe by the Actuarial Standards Board.
- iii) Determine the reasonableness and appropriateness of plan assumptions.
- iv) Validate the contribution strategy for plan year 2006 in terms of premium rates, and reserve balances.

b) An hourly rate for the completion of specific legislative projects, including an analysis of the impact of specific legislation and reviews of agency actuarial use.

c) An hourly rate for testifying before a legislative committee beyond the task described in sub-section (C) paragraph (2).

3. State Health Care Programs, including but not limited to capitation rates for the Arizona Health Care Cost Containment System, the Department of Health Services' Behavioral Health Care and Children's Rehabilitative Services, and the Arizona Department of Economic Security Division of Developmental Disabilities/Long-Term Care.

a) An actuarial study of capitation rates in the Arizona Health Care Cost Containment System, the Department of Health Services' Behavioral Health System, and the Arizona Department of Economic Security Division of Developmental Disabilities/Long-Term Care. The study shall:

- i) Determine the validity of the data used by the actuary in setting the capitation rates.
- ii) Determine whether or not the departments are operating in accordance with principles and practices prescribe by the Actuarial Standards Board.
- iii) Determine whether or not the departments are operating within Federal requirements for an actuarially sound system.
- iii) Determine the reasonableness and appropriateness of plan assumptions.
- iv) Provide an analysis of the consistency of assumptions and methods for contract years 2005 and 2006.

b) An hourly rate for the completion of specific legislative projects, including an analysis of the impact of specific legislation and reviews of agency actuarial use.

c) An hourly rate for testifying before a legislative committee beyond the task described in sub-section (C) paragraph (2).

4. Risk Management, including but not limited to the Arizona Department of Administration, Risk Management. The services shall include:

a) An actuarial audit of the Arizona Department of Administration risk management system, including workers compensation. The audit shall:

- i) Determine the validity of the data used by the actuary in setting contribution rates.
- ii) Determine whether or not the system is operating in accordance with principles and practices prescribe by the Actuarial Standards Board.
- iii) Determine the reasonableness and appropriateness of plan assumptions.
- iv) Validate the contribution strategy for plan year 2006 in terms of premium rates, and reserve balances.

b) An hourly rate for the completion of specific legislative projects, including an analysis of the impact of specific legislation and reviews of agency actuarial use.

c) An hourly rate for testifying before a legislative committee beyond the task described in sub-section (C) paragraph (2).

5. Other State Agencies, including but not limited to the Arizona Department of Revenue, Arizona Industrial Commission, the Arizona Department of Insurance and the State Compensation Fund. The services shall include:

a) An hourly rate for the completion of specific legislative projects, including an analysis of the impact of specific legislation and reviews of agency actuarial use.

b) An hourly rate for testifying before a legislative committee.

C. Tasks

For each of the component areas, the Contractor shall:

1. Work with the staff of the Arizona Joint Legislative Budget Committee to develop a report format and submit a report to the Director of the Arizona Joint Legislative Budget Committee.

2. Appear before a legislative committee to present the report, and may, at the request of the legislature, appear a second time for follow-up questions or presentations.

V. ADDITIONAL TERMS AND CONDITIONS

A. Interpretation - Parol Evidence:

1. This contract is intended by the parties as a final expression of their agreement and is intended also as a complete and exclusive statement of the terms of this agreement. No course of prior dealings between the parties and no usage of the trade shall be relevant to supplement or explain any term used in this contract. Acceptance or acquiescence in a course of performance rendered under this contract shall not be relevant to determine the meaning of this contract even though the accepting or acquiescing party has knowledge of the nature of the performance and opportunity to object.

B. Relationships of Parties:

1. It is clearly understood that each party shall act in its individual capacity and not as an agent, employee, partner, joint venturer, or associate of the other. An employee or agent of one party shall not be deemed or construed to be the employee or agent of the other party for any purpose whatsoever. The Contractor is advised that taxes or social security payments shall not be withheld from a state payment issued hereunder and that Contractor shall make arrangements to directly pay such expenses, if any.

C. Force Majeure:

1. Except for payment of sums due, neither party shall be liable to the other nor deemed in default under this contract if and to the extent that such party's performance of this contract is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the party affected and occurs without its fault or negligence. Without limiting the foregoing, force majeure includes acts of God; acts of the public enemy; war, riots, strikes; mobilization; labor disputes; civil disorders; fire; flood; lockouts; injunctions-intervention-acts, or failures or refusal to act by government authority; and other similar occurrences beyond the control of the party declaring force majeure which such party is unable to prevent by exercising reasonable diligence. The force majeure shall be deemed to commence when the party declaring force majeure notifies the other party of the existence of the force majeure and shall be deemed to continue as long as the results or effects of the force majeure prevent the party from resuming performance in accordance with this agreement.

2. Force majeure shall not include late performance by a subcontractor unless the delay arises out of a force majeure occurrence in accordance with this force majeure term and condition. Any delay or failure in performance by either party hereto shall not constitute default hereunder or give rise to any claim for damages or loss of anticipated profits if, and to the extent that such delay or failure is caused by force majeure.

3. If either party is delayed at any time in the progress of the work by force majeure, the delayed party shall notify the other party in writing of such delay, as soon as is practical, of the commencement hereof and shall specify the causes of such delay in such notice. Such notice shall be hand delivered or mailed certified-return receipt and shall make a specific reference to this article, thereby invoking its provisions. The delayed party shall cause such delay to cease as soon as

practicable and shall notify the other party in writing when it has done so. The time of completion shall be extended by contract modification for a period of time equal to the time that results or effects of such delay prevent the delayed party from performing in accordance with this contract.

D. Rights and Remedies:

1. No provision in this document or in the Offeror's offer shall be construed, expressly or by implication as a waiver by either party of any existing or future right and/or remedy available by law in the event of any claim of default or breach of contract. The failure of either party to insist upon the strict performance of any term or condition of the contract or to exercise or delay the exercise of any right or remedy provided in the contract, or by law, or the acceptance of materials or services, or the payment for materials or services, shall not release either party from any responsibilities or obligations imposed by this contract or by law, and shall not be deemed a waiver of any right of either party to insist upon the strict performance of the contract.

E. Assignment-Delegation:

1. No right or interest in this contract shall be assigned by the Contractor without prior written permission of the Arizona Joint Legislative Budget Committee, and no delegation of any duty of Contractor shall be made without prior written permission of the Arizona Joint Legislative Budget Committee. The Arizona Joint Legislative Budget Committee shall not unreasonably withhold approval and shall notify the Contractor of the Arizona Joint Legislative Budget Committee's position within 15 days of receipt of written notice by the Contractor.

F. Advertising:

1. Contractor shall not advertise or publish information concerning this contract, without prior written consent of the Arizona Joint Legislative Budget Committee. The Arizona Joint Legislative Budget Committee shall not unreasonably withhold permission.

G. Inspection:

1. All materials and services are subject to final inspection and acceptance by the Arizona Joint Legislative Budget Committee. Materials and services failing to conform to the specifications of this contract shall be held at Contractor's risk and may be returned to the Contractor. If so returned, all costs are the responsibility of the Contractor. Compliance shall conform to the cancellation clause set forth in this document.

H. Liens:

1. All goods, services and other deliverables supplied to the Arizona Joint Legislative Budget Committee under this contract shall be free of all liens other than the security interest held at the Contractor until payment in full is made by the Arizona Joint Legislative Budget Committee. Upon request of the Arizona Joint Legislative Budget Committee, the Contractor shall provide a formal release of all liens.

I. Conflict of Interest:

1. No official or employee of the Arizona Legislature and no other public official of the State of Arizona who exercises any functions or responsibilities in the review or approval of the undertaking or carrying out of this contract shall, prior to the completion of the contract, voluntarily acquire any personal interest, direct or indirect, in this contract or proposed contract.

J. Notices:

1. Notices to the Contractor required by this Contract shall be made by the Arizona Joint Legislative Budget Committee to the person indicated on the Offer and Acceptance form submitted by the Contractor unless otherwise stated in the contract. Notices to the Arizona Joint Legislative Budget Committee required by the Contract shall be made by the Contractor to the Director of the Arizona Joint Legislative Budget Committee, unless otherwise stated in the contract. Either party may change the designated person to whom notice shall be given by sending a written notice to the other party, and an amendment to the Contract shall not be necessary to change the designation.

APPENDIX A

Professional Service Contracts Standard Professional Service Contracts

INDEMNIFICATION CLAUSE:

Contractor shall indemnify, defend, save and hold harmless the State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees (hereinafter referred to as "Indemnatee") from and against any and all claims, actions, liabilities, damages, losses, or expenses (including court costs, attorneys' fees, and costs of claim processing, investigation and litigation) (hereinafter referred to as "Claims") for bodily injury or personal injury (including death), or loss or damage to tangible or intangible property caused, or alleged to be caused, in whole or in part, by the negligent or willful acts or omissions of Contractor or any of its owners, officers, directors, agents, employees or subcontractors. This indemnity includes any claim or amount arising out of or recovered under the Workers' Compensation Law or arising out of the failure of such contractor to conform to any federal, state or local law, statute, ordinance, rule, regulation or court decree. It is the specific intention of the parties that the Indemnatee shall, in all instances, except for Claims arising solely from the negligent or willful acts or omissions of the Indemnatee, be indemnified by Contractor from and against any and all claims. It is agreed that Contractor will be responsible for primary loss investigation, defense and judgment costs where this indemnification is applicable. In consideration of the award of this contract, the Contractor agrees to waive all rights of subrogation against the State of Arizona, its officers, officials, agents and employees for losses arising from the work performed by the Contractor for the State of Arizona.

INSURANCE REQUIREMENTS:

Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract, are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

The *insurance requirements* herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The State of Arizona in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, its agents, representatives, employees or subcontractors, and Contractor is free to purchase additional insurance.

MINIMUM SCOPE AND LIMITS OF INSURANCE: Contractor shall provide coverage with limits of liability not less than those stated below.

1. Commercial General Liability – Occurrence Form

Policy shall include bodily injury, property damage, personal injury and broad form contractual liability coverage.

- | | |
|--|-------------|
| • General Aggregate | \$2,000,000 |
| • Products – Completed Operations Aggregate | \$1,000,000 |
| • Personal and Advertising Injury | \$1,000,000 |
| • Blanket Contractual Liability – Written and Oral | \$1,000,000 |
| • Fire Legal Liability | \$ 50,000 |
| • Each Occurrence | \$1,000,000 |

- a. The policy shall be endorsed to include the following additional insured language: ***“The State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees shall be named as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor”.***
- b. Policy shall contain a waiver of subrogation against the State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

2. Automobile Liability

Bodily Injury and Property Damage for any owned, hired, and/or non-owned vehicles used in the performance of this Contract.

Combined Single Limit (CSL)	\$1,000,000
-----------------------------	-------------

- a. The policy shall be endorsed to include the following additional insured language: ***“The State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees shall be named as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor, involving automobiles owned, leased, hired or borrowed by the Contractor”.***

3. Worker's Compensation and Employers' Liability

Workers' Compensation	Statutory
Employers' Liability	
Each Accident	\$ 500,000
Disease – Each Employee	\$ 500,000
Disease – Policy Limit	\$1,000,000

- a. Policy shall contain a waiver of subrogation against the State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.
- b. This requirement shall not apply to: Separately, EACH contractor or subcontractor exempt under A.R.S. 23-901, AND when such contractor or subcontractor executes the appropriate waiver (Sole Proprietor/Independent Contractor) form.

4. Professional Liability (Errors and Omissions Liability)

Each Claim	\$1,000,000
Annual Aggregate	\$2,000,000

- a. In the event that the professional liability insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract; and that either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed.
- b. Policy shall contain a waiver of subrogation against the State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.
- c. The policy shall cover professional misconduct or lack of ordinary skill for those positions defined in the Scope of Work of this contract.

B. ADDITIONAL INSURANCE REQUIREMENTS: The policies shall include, or be endorsed to include, the following provisions:

1. The State of Arizona, its departments, agencies, boards, commissions, universities and its officers, officials, agents, and employees wherever additional insured status is required such additional insured shall be covered to the full limits of liability purchased by the Contractor, even if those limits of liability are in excess of those required by this Contract.
2. The Contractor's insurance coverage shall be primary insurance with respect to all other available sources.
3. Coverage provided by the Contractor shall not be limited to the liability assumed under the indemnification provisions of this Contract.

C. **NOTICE OF CANCELLATION:** Each insurance policy required by the insurance provisions of this Contract shall provide the required coverage and shall not be suspended, voided, canceled, or reduced in coverage or in limits except after thirty (30) days prior written notice has been given to the State of Arizona. Such notice shall be sent directly to the Arizona Joint Legislative Budget Committee and shall be sent by certified mail, return receipt requested.

D. **ACCEPTABILITY OF INSURERS:** Insurance is to be placed with duly licensed or approved non-admitted insurers in the state of Arizona with an "A.M. Best" rating of not less than A- VII. The State of Arizona in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

E. **VERIFICATION OF COVERAGE:** Contractor shall furnish the State of Arizona with certificates of insurance (ACORD form or equivalent approved by the State of Arizona) as required by this Contract. The certificates for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf.

All certificates and endorsements are to be received and approved by the State of Arizona before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract, or to provide evidence of renewal, is a material breach of contract.

All certificates required by this Contract shall be sent directly to the Arizona Joint Legislative Budget Committee. The State of Arizona project/contract number and project description shall be noted on the certificate of insurance. The State of Arizona reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time. **DO NOT SEND CERTIFICATES OF INSURANCE TO THE STATE OF ARIZONA'S RISK MANAGEMENT SECTION.**

F. **SUBCONTRACTORS:** Contractors' certificate(s) shall include all subcontractors as insureds under its policies **or** Contractor shall furnish to the State of Arizona separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.

G. **APPROVAL:** Any modification or variation from the *insurance requirements* in this Contract shall be made by the Department of Administration, Risk Management Section, whose decision shall be final. Such action will not require a formal Contract amendment, but may be made by administrative action.

H. **EXCEPTIONS:** In the event the Contractor or sub-contractor(s) is/are a public entity, then the Insurance Requirements shall not apply. Such public entity shall provide a Certificate of Self-Insurance. If the contractor or sub-contractor(s) is/are a State of Arizona agency, board, commission, or university, none of the above shall apply.